GOVERNMENT OF INDIA
POWER
LOK SABHA

STARRED QUESTION NO:428
ANSWERED ON:25.08.2006
COST OF POWER GENERATION
Pathak Shri Brajesh;Suman Shri Ramji Lal

Will the Minister of POWER be pleased to state:

(a) whether the Government has explored the possibilities of lowering the cost of power generation in the country;

(b) if so, the details thereof;

(c) the details of the fuels used in power generation in the country at present;

(d) the estimated average cost of power generation during 2004-2005 and 2005-06 in respect of various projects in the country as a result of using each kind of fuel; and

(e) the details of expenditure incurred by the Government on research and development for lowering the power generation cost in the country?

Answer

THE MINISTER OF POWER (SHRI SUSHILKUMAR SHINDE)

(a) to (e) : A Statement is laid on the Table of the House.

STATEMENT

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (e) OF STARRED QUESTION NO. 428 TO BE ANSWERED IN THE LOK SABHA ON 25.08.2006 REGARDING COST OF POWER GENERATION.

(a) & (b) : A number of steps have been taken for reducing the cost of power generation.

The Electricity Act, 2003 creates a competitive framework for generation which should exert a downward pressure on costs.

The National Electricity Policy lays down maximum emphasis on full development of feasible hydro potential. Hydro electricity is cheaper in long term.

For thermal power, the policy states that economics of generation and supply of electricity should be the basis for choice of fuel from among the options available. It would be economical for new generating stations to be located either near the fuel sources e.g. pithead locations or load centres.

The Tariff Policy provides that all future requirement of power should be procured competitively by distribution licensees except in cases of expansion of existing projects or where there is a State controlled/owned company as an identified developer. For Public Sector projects, tariff of all new generation and transmission projects should be decided on the basis of competitive bidding after a period of five years.

Captive coal mining for thermal projects is being encouraged with a view inter alia to lowering the cost of fuel for coal fired stations. Operational efficiency of poorly performing thermal power stations have been increased by pursuing Renovation and Modernization programme.

The terms and conditions of tariff of the Central Electricity Regulatory Commission (CERC) for the period 2004-09 have improved the operational norms.

Mega Power Policy provides for zero customs duty for import of capital equipment and deemed export benefits for domestic supplies.

The following fiscal concessions have also been given with the objective of lowering the cost of generation:

- Reduction on custom duty on Naphtha from 10% to 5% (Basic Customs Duty) + 16% (CV Duty) for power projects.

- Reduction of duty on Natural Gas from 10% to 5% for power projects.

- Reduction of customs duty on coal from 25% to 5%.

(c) : Coal, lignite, Natural gas, Liquefied Natural Gas and liquids fuels

(Low Sulphur Heavy Stock (LSHS), Heavy Furnace Oil (HFO), Naphtha, High Speed Diesel (HSD) etc.) are conventional fuels used in India for power generation.

(d) : The cost of generating power varies from station to station depending upon the capital cost, vintage, technology used, fuel, size of plant, location etc. The average cost for generation for central sector plants from different fuels in 2004-2005 and 2005-06 is given in Annexure.

(e) : Central Sector Research & Development expenditure during the year 2002-03 was Rs.12072.98 crores, 7.7% of this was spent on production, generation & distribution of energy.